Weekly Economic Review

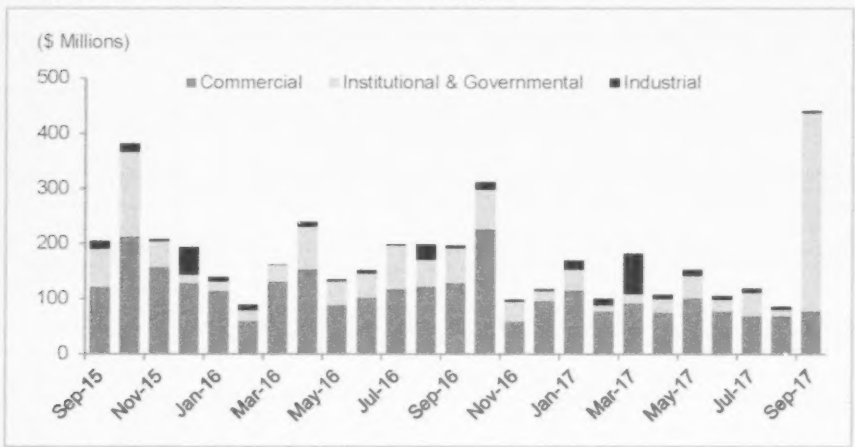
Building intentions get a boost in September

Building Permits

Growth in building permits driven by new hospital permit in Calgary

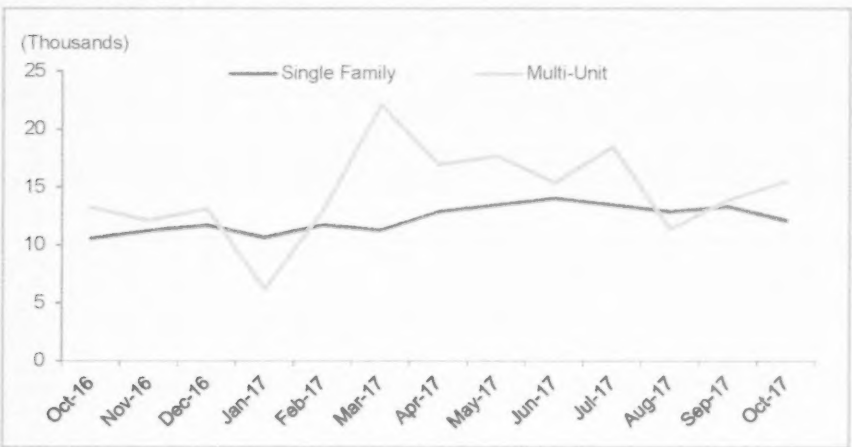
The value of building permits rose for the second consecutive month. It grew 15% month-over-month (m/m) to $1.3 billion in September as gains in non-residential permits more than offset declines in residential permits. The growth in non-residential permits was due to a high valued permit issued for a new hospital in Calgary (Chart 1). Nevertheless, overall building intentions in Calgary remained weak, down 3.3% year-to-date (YTD) as excess supply in the city's commercial real estate market continues to depress commercial permits. Meanwhile in Edmonton, total permits issued decreased 28% m/m as an increase in industrial permits was more than offset by declines in other categories.

Chart 1: New hospital permit lifts non-residential permits in Calgary
Calgary non-residential building permits by type



Source: Statistics Canada

Chart 2: Singles ease while growth in multi-units pick up
Alberta housing starts



Source: Canadian Mortgage and Housing Corporation

Housing Starts

Housing starts maintain momentum

The pace of new housing construction remained solid in October. Housing starts increased 0.7% m/m to 29,403 units in October. The monthly increase was primarily due to an uptick in multi-unit starts in Calgary. Single starts pulled back after an active summer in all major centres in the province (Chart 2). Despite the monthly drop, Albertan single family starts remained strong relative to 2016 levels, up 29% year-to-date while multi-unit starts are up 19% year-to-date.

New Housing Price Index

New home prices steady

New home prices remain stable in Alberta. In September, for the second month in a row, Alberta's new housing price index (NHPI) was unchanged in September. Compared to a year ago, the NHPI was up modestly (+0.3% year-over-year or y/y) for the second consecutive month as both land and house-only components moved higher. While land prices continued to improve (+0.7% y/y), the house-only component rose for the first time since May 2015 (+0.1% y/y) as prices stabilized in Calgary after a rebound in July.

Consumer Bankruptcies

Consumer bankruptcies ticked up

After falling to a 30 month low in July, the number of Alberta consumers filing for bankruptcies marginally increased. On an unadjusted basis, 450 Albertans filed for bankruptcy in August, up 2.5% from a year ago. The number of consumer proposals also increased in July to 718. This is 71 more than a year ago and near the high level set in March 2017. Despite the annual increase, consumer bankruptcies so far this year are 7.2% below the corresponding period last year.

Real GDP by Expenditure

Continued decline in investment weighs on GDP growth in 2016

In 2016, the Alberta economy contracted for a second year in a row due to the effects of the prolonged oil price shock. Real Gross Domestic Product (GDP) fell 3.7%, the same decline reported in the year prior. The decline was primarily in business investment and residential investment spending (Chart 3), where non-residential (-18.4% y/y) and residential (-15.6% y/y) investment fell sharply. Increased government infrastructure spending, as well as an increase in net exports, marginally offset declines in business and residential investment.

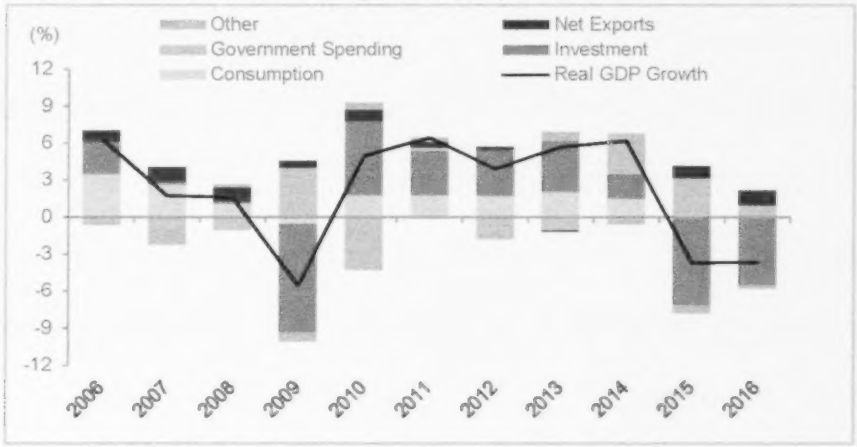
Canadian GDP by Industry

Temporary factors drag Canadian GDP growth

The Canadian economy contracted for the first time in ten months partly reflecting temporary factors. Real GDP by industry fell by 0.1% m/m in August as broad-based weakness within the goods sector more than offset gains in the service sector (Chart 4). The decline in the goods sector was led by oil and gas extraction (-1.4% m/m) which fell for the third consecutive month as maintenance shutdowns temporarily reduced conventional oil and gas output. Manufacturing output also contracted (-1.0% m/m) due in large part to a sharp pullback in chemical manufacturing (-7.3% m/m). This reflected maintenance shutdowns and lower export demand. In contrast, growth in the services sector was more broad-based. Despite the monthly contraction, the Canadian economy was up 3.5% y/y with output in almost all industries higher than last year.

Chart 3: Albertan economy decline on investment spending

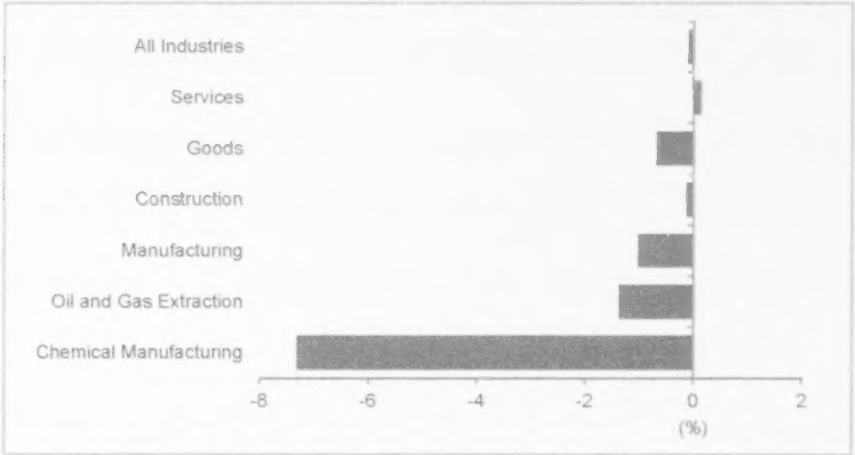
Contribution to Alberta real GDP growth by expenditure



Source: Statistics Canada

Chart 4: Maintenance shutdowns weighed on Canadian growth in August

Month-over-month growth in real GDP by industry, August 2017



Source: Statistics Canada

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.